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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION OF THE CONTINUED REASONABLENESS OF CURRENT SIZE LIMITATIONS FOR PURPA QF PUBLISHED RATE ELIGIBILITY (i.e., 1 MW) AND RESTRICTIONS ON CONTRACT LENGTH (i.e., 5 YEARS).	CASE NO. GNR-E-02-01

COURT REPORTER

REBUTTAL TESTIMONY AND EXHIBITS OF

STUART A.T. TRIPPEL

ON BEHALF OF

INDEPENDENT ENERGY PRODUCERS OF IDAHO

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Q. ARE YOU THE SAME STUART A.T. TRIPPEL WHO PREVIOUSLY FILED DIRECT TESTIMONY ON BEHALF OF THE INDEPENDENT ENERGY PRODUCERS OF IDAHO IN THIS PROCEEDING?

A. Yes.

A. <u>INTRODUCTION AND OVERVIEW OF TESTIMONY</u>

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to (1) recommend an updated natural gas price forecast, in conjunction with David Hawk, who is also testifying in rebuttal testimony on behalf of the Independent Energy Producers of Idaho (IEPI), (2) recommend changes to the capital carrying charge used in the avoided cost rate model, and (3) comment on the proposal of Plummer Forest Products and Potlatch Corporation regarding first deficit year.

B. <u>NATURAL GAS PRICE FORECAST</u>

Q. PLEASE SUMMARIZE YOUR POSITION ON NATURAL GAS PRICE FORECAST AS PRESENTED IN YOUR DIRECT TESTIMONY.

A. In my direct testimony I presented two natural gas price forecast series from the Northwest Power Planning Council (NPPC) <u>Draft Fuel Price Forecasts for the 5th Northwest Conservation and Electric Power Plan</u>, April 25, 2002 (Council Document 2007-07) (hereinafter the "NPPC Forecast"). The two series that I presented in direct testimony were the medium-high and the high. On direct testimony I recommended the medium-high series, although I also testified that "it would be entirely reasonable for the Commission to adopt the NPPC's high forecast series" (Trippel, Di, at 8, lines 21-23).

Q. DO YOU CONTINUE TO RECOMMEND THE MEDIUM-HIGH SERIES?

A. No. In view of recent observations of changes in the natural gas markets, as testified to on rebuttal by David Hawk, also on behalf of the IEPI in this proceeding, I believe that it is more appropriate to adopt the high, rather than the medium-high, series of natural gas prices.

Q. WHAT SPECIFICALLY IS YOUR CURRENT RECOMMENDATION REGARDING THE INITIAL-YEAR NATURAL GAS PRICE AND ANNUAL ESCALATION RATE?

A. As indicated in my Exhibit 604, which accompanied my direct testimony, I now recommend an initial-year natural gas price of $3.91 per MMBtu and an escalation rate of 3.6 percent per year. This is consistent with the testimony of Mr. Hawk.

C. CAPITAL CARRYING CHARGE

Q. WHAT IS MEANING OF THE CAPITAL CARRYING CHARGE IN THE AVOIDED COST RATE MODEL?

A. The capital carrying charge is used to compute the annualized plant cost in the avoided cost model. It is currently 12.424 percent for Idaho Power, 11.813 percent for Avista, and 12.600 percent for Pacificorp.

Q. WHAT IS THE PROBLEM WITH USING THESE CAPITAL CARRYING CHARGES AT THIS TIME?

A. These capital carrying charges were developed at a time when it was considerably easier to obtaining funding for power plants in the financial markets. This is no longer the case.

Q. DO YOU HAVE ANY EVIDENCE THAT IT IS MORE DIFFICULT FOR UTILITIES TO FINANCE POWER PLANTS NOW THAN PREVIOUSLY?

A. Yes. Idaho Power Company presented, in connection with its proceeding before this Commission to approve the Garnet Energy plant, an affidavit dated July 22, 2002, sworn to by Darrel Anderson, Vice President and Chief Financial Officer of IDACORP, Inc., the parent company of Idaho Power. A copy of this affidavit is included as my

Exhibit No. 608. In the affidavit, Mr. Anderson states as follows:

> At the time that Garnet entered into the [Power Purchase Agreement] with Idaho Power, the financial markets were willing to provide financing for merchant power plants on reasonable terms and conditions, and at that time both IDACORP and Idaho Power reasonably concluded that financing for the Garnet Facility would be readily available on reasonable terms. <u>Since that time, the substantial turmoil in the financial markets and the well-publicized problems with Enron, Dynergy, Reliant, and other large merchant power plant developers has made the financing of merchant power plants extremely difficult.</u>

(Exhibit No. 608, para. 3, emphasis added.)

Q. WHAT DO YOU PROPOSE WITH RESPECT TO THE CAPITAL CARRYING CHARGES FOR THE UTILITIES?

A. I propose that the Commission adjust each utility's capital carrying charge upwards by between two and four percent to reflect difficulty in obtaining financing for power plants in the current market. As noted by Mr. Anderson, the financial markets are currently in "substantial turmoil," so it is difficult to gauge a specific figure. Nonetheless, two to four percent is within a range of reasonableness for adjusting the carrying charge. In the avoided cost figures that I present below at the end of my testimony, I adjust each utility's capital carrying charge upwards by three percent, the figure in the middle of my recommended range.

D. FIRST DEFICIT YEAR

Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF LARRY CROWLEY ON BEHALF OF PLUMMER FOREST PRODUCTS AND THE POTLATCH CORPORATION REGARDING FIRST DEFICIT YEAR?

A. Yes. I have reviewed Mr. Crowley's testimony in which he recommends setting the first deficit year of Avista to the year 2000 (Crowley, Di, at 6, lines 4-6).

Q. DO YOU AGREE WITH MR. CROWLEY'S RECOMMENDATION?

A. Yes, I agree with Mr. Crowley's analysis and recommendation. Should the Commission decide to continue the difficult and time consuming task of calculating individual first deficit years for the various utilities it regulates, then Mr. Crowley's methodology should be used by the Commission.

Q. DOES YOUR ANSWER SUGGEST YOU HAVE CHANGED YOUR POSITION ON ELIMINATING THE FIRST DEFICIT YEAR CALCULATION/

A. No. In my direct testimony I argued on behalf of the IEPI that all three utilities should be deemed to be in deficit immediately with respect to any resource under 10 megawatts. Mr. Crowley favorably alludes to this concept at the end of his testimony (Crowley, Di, at 7, lines 8-9). In addition, Rick Sterling also supports this concept on behalf of Commission Staff (Sterling, Di, at 7-11).

E. RATE IMPACTS

Q. HAVE YOU UPDATED YOUR CALCULATION OF THE IMPACT OF YOUR RECOMMENDATIONS ON AVOIDED COST RATES?

A. Yes. Exhibit No. 609, which is in the same format as my earlier Exhibit No. 605, filed with direct testimony, includes an abbreviated form of the spreadsheet model used to calculate avoided cost non-fueled rates for the three utilities. In each case, the only changes made were to the initial natural gas price (now $3.91 per MMBtu), the natural gas escalation rate (now 3.6 percent per year), the first deficit year (set so that the utilities are immediately in deficit) and the capital carrying charge (adjusted upwards by three percent for each utility). Other variables remain the same as they are currently in the model, with the cosmetic adjustments for purposes of this exhibit that I described in my direct testimony.

Q. PLEASE SUMMARIZE THE RATES RESULTING FROM YOUR RECOMMENDATIONS.

A. For all three utilities, the resulting rates range from 56 mills/kWh (for a 2002 online date) to 66 or 67 mills/kWh (for a 2007 online date). For comparison purposes, the current rates would be 71-93 mills/kWh for Idaho Power, representing a decrease of 21-28 percent.

F. SUMMARY AND CONCLUSIONS

Q. PLEASE SUMMARIZE YOUR TESTIMONY AND CONCLUSIONS.

A. In view of the testimony presented above, I recommend that in setting avoided cost rates the Commission adopt a natural gas price of $3.91 for 2002, with a nominal escalation rate of 3.6 percent per year. I continue to recommend that the Commission deem that, with respect to any QF of less than 10 megawatts, the purchasing utility will be considered to be in resource deficit, and pay the full avoided cost under that assumption. Finally, I recommend that in calculating avoided cost rates the Commission add two to four percent, at its discretion to the capital carrying charge of each of the three Idaho utilities who are parties to this proceeding.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

EXHIBIT NO. 608

AFFIDAVIT OF DARREL ANDERSON, VICE PRESIDENT AND CHIEF FINANCIAL OFFICER OF IDACORP, INC.

AFFIDAVIT

STATE OF IDAHO)
: ss.
County of Ada)

Darrel Anderson, being first duly sworn on oath, deposes and says:

1. I am the Vice President and Chief Financial Officer of IDACORP, Inc.

2. IDACORP, Inc. is the corporate parent of Ida-West Energy Company and provides the credit support for Ida-West Energy and Ida-West's subsidiary, Garnet Energy, LLC (Garnet). Garnet Energy, LLC and Idaho Power Company are the signatories to the Power Purchase Agreement (PPA) which is the subject of IPUC Case No. IPC-E-01-42. Under the PPA, Garnet has agreed to sell power to Idaho Power generated by a merchant power plant to be constructed, owned, operated and maintained by Garnet (Garnet Facility). Because of the structure of the contract with Idaho Power, financing of the Garnet Facility must be accomplished as a merchant power plant because only a portion of the revenues required to support the plant's revenue stream will come from the PPA.

3. At the time that Garnet entered into the PPA with Idaho Power, the financial markets were willing to provide financing for merchant power plants on reasonable terms and conditions, and at that time both IDACORP and Idaho Power reasonably concluded that financing for the Garnet Facility would be readily available on reasonable terms. Since that time, the substantial turmoil in the financial markets and the well-publicized problems with Enron, Dynegy, Reliant and other large merchant

EXHIBIT NO. 608
Stuart Trippel
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power plant developers has made the financing of merchant power plants extremely difficult. Within the past few weeks we have seen a further deterioration within the capital markets. A clear indication of this has been the rapid decline of IDACORP's common stock price. Companies much larger than IDACORP are having difficulty in financing all types of power plants. Because this deterioration has been so rapid and so severe, we have only recently been able to advise Idaho Power of the magnitude of the problem and our concern that Garnet may not be able to perform the PPA as it was presented to the Commission for approval.

4. IDACORP and Garnet intend to expeditiously explore alternative financing arrangements which may make the Garnet Facility financeable under the existing PPA. However, this will take some additional time and, candidly, in today's financial market environment may not be successful.

5. IDACORP cannot, in good conscience, recommend that Idaho Power proceed with the hearing in this case in light of the significant possibility that the Garnet Facility cannot perform within the terms of the existing PPA without jeopardizing the financial health of IDACORP, Inc. This could also have an adverse affect on IDACORP's credit rating and cost of money for other purposes including the cost of money for Idaho Power Company.

Darrel Anderson

DARREL ANDERSON

STATE OF IDAHO)
) ss.
County of Ada)

On this 22nd day of July, 2002, before me, the undersigned, a Notary Public, personally appeared DARREL ANDERSON , known or identified to me to be the Vice President and CFO of IDACORP, Inc., the corporation that executed the within instrument, and acknowledged to me that such corporation executed the same as the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first hereinabove written.

(NOTARIAL SEAL)

Joanne M. Butler
Notary Public for Idaho
Residing at Boise, Idaho
My Comm. Expires 10-5-07

JOANNE M. BUTLER
NOTARY PUBLIC
STATE OF IDAHO

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EXHIBIT NO. 609

AVOIDED COST RATES UNDER RECOMMENDATIONS

AVOIDED COST CALCULATION MODEL
04-Aug-02

DATA TYPE	IPCO DATA
FIRST DEFICIT YEAR:	2000
SURPLUS ENERGY COST (mil/kWh):	19.00
SURPLUS COST BASE YEAR:	1994
"SAR" PLANT LIFE (YEARS):	30
"SAR" PLANT COST ($/kW):	$667
BASE YEAR OF "SAR" COST:	1994
"SAR" CAPACITY FACTOR (%):	92%
UTLTY WT'D COST OF CAPITAL (%):	9.199%
RATEPAYER DISCOUNT RATE (%):	9.199%
"SAR" FIXED O&M ($/kW):	$7.43
"SAR" VARIABLE O&M (mil/kWh):	1.65
CURRENT YEAR FUEL COST (mil/kWh):	**28.74**
BASE YEAR, O&M EXPENSES:	1994
ESCALATION RATE; "SAR" (%):	3.60%
ESCALATION RATE; SURPLUS (%):	4.50%
ESCALATION RATE; O&M (%):	3.21%
ESCALATION RATE; FUEL (%):	**3.60%**
ADJUSTABLE PORTION (mil/kWh):	0.00
CAPITAL CARRYING CHARGE (%):	15.424%
LEVEL CARRYING COST (mil/kWh):	15.23
"TILTING" RATE (%):	3.60%
TYPE OF RATES:	NON-FUELED
CURRENT YEAR:	2002

7,350
Btu/kWh

$3.91
per MMBtu

20-year K Levelized	**Online Year**
56.32	2002
58.33	2003
60.41	2004
62.57	2005
64.81	2006
67.12	2007
mills/kWh	

EXHIBIT 609
Stuart Trippel

AVOIDED COST CALCULATION MODEL
04-Aug-02

DATA TYPE	AVISTA DATA
FIRST DEFICIT YEAR:	2000
SURPLUS ENERGY COST (mil/kWh):	19.00
SURPLUS COST BASE YEAR:	1994
"SAR" PLANT LIFE (YEARS):	30
"SAR" PLANT COST ($/kW):	$667
BASE YEAR OF "SAR" COST:	1994
"SAR" CAPACITY FACTOR (%):	92%
UTLTY WT'D COST OF CAPITAL (%):	8.979%
RATEPAYER DISCOUNT RATE (%):	8.979%
"SAR" FIXED O&M ($/kW):	$7.43
"SAR" VARIABLE O&M (mil/kWh):	1.65
CURRENT YEAR FUEL COST (mil/kWh):	**28.74**
BASE YEAR, O&M EXPENSES:	1994
ESCALATION RATE; "SAR" (%):	3.60%
ESCALATION RATE; SURPLUS (%):	4.50%
ESCALATION RATE; O&M (%):	3.21%
ESCALATION RATE; FUEL (%):	**3.60%**
ADJUSTABLE PORTION (mil/kWh):	0.00
CAPITAL CARRYING CHARGE (%):	14.813%
LEVEL CARRYING COST (mil/kWh):	14.63
"TILTING" RATE (%):	3.60%
TYPE OF RATES:	NON-FUELED
CURRENT YEAR:	2002

7,350 Btu/kWh
$3.91 per MMBtu

20-year K Levelized	**Online Year**
55.78	2002
57.77	2003
59.84	2004
61.97	2005
64.19	2006
66.48	2007
mills/kWh	

AVOIDED COST CALCULATION MODEL
04-Aug-02

DATA TYPE	PCP DATA		
FIRST DEFICIT YEAR:	2000		
SURPLUS ENERGY COST (mil/kWh):	19.00		
SURPLUS COST BASE YEAR:	1994		
"SAR" PLANT LIFE (YEARS):	30		
"SAR" PLANT COST ($/kW):	$667		
BASE YEAR OF "SAR" COST:	1994	7,350	
"SAR" CAPACITY FACTOR (%):	92%	Btu/kWh	
UTLTY WT'D COST OF CAPITAL (%):	10.270%		
RATEPAYER DISCOUNT RATE (%):	10.270%	$3.91	
"SAR" FIXED O&M ($/kW):	$7.43	per MMBtu	
"SAR" VARIABLE O&M (mil/kWh):	1.65		
CURRENT YEAR FUEL COST (mil/kWh):	**28.74**		
BASE YEAR, O&M EXPENSES:	1994	**20-year K**	
ESCALATION RATE; "SAR" (%):	3.60%	**Levelized**	**Online Year**
ESCALATION RATE; SURPLUS (%):	4.50%	56.23	2002
ESCALATION RATE; O&M (%):	3.21%	58.24	2003
ESCALATION RATE; FUEL (%):	**3.60%**	60.32	2004
ADJUSTABLE PORTION (mil/kWh):	0.00	62.47	2005
CAPITAL CARRYING CHARGE (%):	15.600%	64.70	2006
LEVEL CARRYING COST (mil/kWh):	15.41	67.01	2007
"TILTING" RATE (%):	3.60%	mills/kWh	
TYPE OF RATES:	NON-FUELED		
CURRENT YEAR:	2002		

EXHIBIT 609
Stuart Trippel